

**NEIGHBORHOOD NONPROFIT  
HOUSING CORPORATION**

FINANCIAL STATEMENTS

JUNE 30, 2009

# NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

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**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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### Independent Auditor's Report

Neighborhood Nonprofit Housing Corporation  
Logan, UT

January 6, 2010

We have audited the accompanying statement of financial position of Neighborhood Nonprofit Housing Corporation (a nonprofit organization) as of June 30, 2009, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Nonprofit Housing Corporation as of June 30, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2010, on our consideration of Neighborhood Nonprofit Housing Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Neighborhood Nonprofit Housing Corporation taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statement of the Organization. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The schedule of functional expenses has not been submitted to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

GILBERT & STEWART  
Certified Public Accountants

# NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

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### ASSETS

Current Assets		
Cash	\$	694,579
Accounts Receivable		60,856
Prepaid Expenses		14,987
Loan Receivable - Related Party		745,334
Land and Improvements for Resale		2,241,245
Cash - Restricted		412,876
Total Current Assets		<u>4,169,877</u>
		\$ 4,169,877
Fixed Assets		
Property and Equipment - Net		781,450
Other Assets		
Cash - Restricted		10,000
Loan Receivable - Ashfield Apartments LLC		216,240
Loan Receivable - Related Party		140,000
Warranty Bond Receivable		1,000
Total Other Assets		<u>367,240</u>
		<u>\$ 5,318,567</u>
Total Assets		

### LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$	169,872
Accrued Payroll Liabilities		38,136
Accrued Compensated Absences		16,091
Deferred Revenue		46,186
Line of Credit		121,228
502 Custodial Funds Held in Trust - Restricted		234,642
Total Current Liabilities		<u>626,155</u>
		\$ 626,155
Long-Term Liabilities		
Payable to Housing Assistance Council		1,136,321
Payable to Wells Fargo Community Development Corp.		300,000
Total Long-Term Liabilities		<u>1,436,321</u>
		<u>2,062,476</u>
Total Liabilities		
		2,062,476
Net Assets		
Temporarily Restricted		72,271
Unrestricted		3,183,820
Total Net Assets		<u>3,256,091</u>
		<u>\$ 5,318,567</u>
Total Liabilities & Net Assets		

See accompanying notes.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

<b>Unrestricted Net Assets</b>			
Support and Revenues			
Grant Revenue		\$ 1,003,173	
Development Revenue		1,870,386	
Other Revenue		352,774	
Assets Released from Restrictions		<u>120,759</u>	
Total Support			\$ 3,347,092
<b>Expenses</b>			
Program Services			
Development Expenses	\$ 1,453,244		
Direct Subsidies to Homebuyers	258,528		
Other Program Services	<u>646,738</u>		
Total Program Services		2,358,510	
Supporting Services			
Management and General	48,201		
Fund Raising	<u>3,884</u>		
Total Supporting Services		<u>52,085</u>	
Total Expenses			<u>2,410,595</u>
Increase in Unrestricted Net Assets			<u>936,497</u>
<b>Temporarily Restricted Net Assets</b>			
Support and Revenues			
Grant and Donation Revenue			1,500
Assets Released from restrictions			<u>(120,759)</u>
Increase (Decrease) in Temporarily Restricted Net Assets			<u>(119,259)</u>
Total Increase in Net Assets			817,238
Net Assets - Beginning			<u>2,438,853</u>
Net Assets - Ending			<u><u>\$ 3,256,091</u></u>

*See accompanying notes.*

# NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

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### Cash Flows from Operating Activities:

Increase in Total Net Assets	\$	817,238	
Adjustments to Reconcile Increase in Net Assets to Net Cash from Operating Activities:			
Depreciation		24,153	
Loss on Leasehold Improvement		3,589	
HAC Loan Forgiven		(180,000)	
(Increase) Decrease in Accounts Receivable		(137,952)	
(Increase) Decrease in Subsidy Receivables		(86,810)	
(Increase) Decrease in Prepaid Expenses		(8,875)	
(Increase) Decrease in Land for Resale		171,770	
Increase (Decrease) in Accrued Liabilities		58,087	
Increase (Decrease) in Deferred Revenue		30,936	
Net Cash Provided (Used) by Operating Activities			\$ 692,136

### Cash Flows from Investing Activities:

Purchase of Improvements		(620,053)
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### Cash Flows from Financing Activities:

Proceeds from Wells Fargo Credit Line	300,000	
Loans to Related Party	(583,883)	
Proceeds from Line of Credit	121,228	
Payment on Line of Credit	(106,236)	
Decrease in Trust Fund Liability	(254,325)	
Payments on HAC Loans	(379,000)	
Proceeds from HAC Loans	625,760	
Net Cash Provided by Financing Activities		(276,456)

Net Increase (Decrease) in Cash and Cash Equivalents	(204,373)
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Cash and Cash Equivalents - Beginning	1,321,828
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Cash and Cash Equivalents - Ending	\$ 1,117,455
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### Supplementary Information

Interest Paid	0
Taxes Paid	0

See accompanying notes.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Status

Neighborhood Nonprofit Housing Corporation (NNHC/the Company) is a nonprofit organization organized under the laws of the State of Utah on January 18, 1996. The main purpose of the Organization shall be to provide decent housing that is affordable to low and moderate income people of Utah. This housing, whether rental or home-ownership, shall be designed to improve the lives of both the residents and community. The Organization relies on support from government grants and loans and private resources. The Organization is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as other than a private foundation.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported when applicable as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Company and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investments for general or specific purposes.

The Company shows restricted contributions and support whose restrictions are met in the same reporting period as unrestricted support.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make assumptions and estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Restricted Cash

Restricted cash is cash from government grants or loans that are restricted for land purchases or other grant requirements.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 1 – SUMMARY (*Continued*)**

Accounts Receivable

Accounts receivable are amounts due principally from grant reimbursements for expenses paid by the Company. There is no provision for uncollectible amounts.

Contingent Loans Receivable

Amounts are given to homebuyers to assist them with closing or down payment costs. The funds do not have to be repaid unless the home is sold or refinanced within a certain time period. No receivable amounts are reflected in the statement of financial position for these contingent loans.

Property, Equipment and Depreciation

Property and equipment are recorded at cost or at estimated fair value at the date of gift. Amounts in excess of \$2,500 are capitalized as property and equipment. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of 5 - 10 years.

Deferred Revenue

Revenues received in advance of services performed are reported as a current liability. Included in deferred revenue are grant monies received but not yet expended of \$46,186 at June 30, 2009.

**NOTE 2 - PROPERTY AND EQUIPMENT**

As of June 30<sup>th</sup>, property and equipment consist of:

	<u>2009</u>
Office Building and Improvements Work-in-Process	\$ 623,049
Land	45,823
Equipment	206,688
Office Equipment	65,015
Less: Accumulated Depreciation	<u>( 159,125)</u>
	<u>\$ 781,450</u>

Current year depreciation is \$24,153.

**NOTE 3 - ECONOMIC DEPENDENCY AND CONCENTRATIONS OF RISK**

Many programs operated by the Organization depend upon continued funding by government agencies. At year end, the cash balance exceeded the FDIC Insurance limit by \$907,440.



**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 4 – TRUST FUNDS**

The checking account for the self-help participants is shown in the balance sheet as restricted cash offset by the trust fund liability. Neighborhood Nonprofit Housing Corporation is an owner of this account and has signature responsibility for it.

**NOTE 5 - RETIREMENT**

The Company has a SEP IRA retirement plan in which the employer contributes 13% of the employees' compensation. The employer's contribution for retirement expense was \$49,376 for the current year. At July 1, 2009, the plan was converted to a 401(K) plan.

**NOTE 6 - LOANS PAYABLE**

SHOP - Loans from Housing Assistance Council are potentially forgivable by HAC at an interest rate of 0%. These loans have original maturity due dates in various years, but are recorded as long-term liabilities due to the anticipated forgiveness by HAC.

The SHOP 2001 loan of \$180,000 was forgiven in its entirety in 2009.

1. Interest received on cash held	\$ 13,321
2. #4-714-0312 SHOP 2003	328,000
3. #4-911-0604 SHOP 2005	312,000
4. #4-107-0612 SHOP 2006	75,000
5. #4-106-0612 SHOP 2006	228,000
6. #4-1106-0711 SHOP 2007	120,000
7. #4-1107-0711 SHOP 2007	<u>60,000</u>
Total	<u>\$1,136,321</u>

Loan payable to Wells Fargo Community Development Corporation  
with interest of 2% payable quarterly – principal is due April, 2014  
with a possible one year extension

\$ 300,000

Future aggregate maturities of debt are:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 0	\$ 6,000
2011	0	6,000
2012	0	6,000
2013	0	6,000
2014	300,000	6,000
Unknown	<u>1,136,321</u>	<u>0</u>
	<u>\$1,436,321</u>	<u>\$30,000</u>

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Net assets are temporarily restricted for:

Administration or financial assistance to low-income home buyers	<u>\$72,271</u>
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**NOTE 8 – DEVELOPMENT COSTS**

Costs incurred to bring land development projects to completion are reflected as land and improvements for resale on the Statement of Financial Position until such time that the development is completed. Development costs are recorded to the Statement of Activities as lots are sold.

**NOTE 9 – COMMITMENTS**

Neighborhood Nonprofit Housing Corporation was approved in October 2006 for a letter of credit from the Housing Assistance Council in the amount of \$1,042,485 as a performance guarantee on the Country Meadows Development. As of June 30, 2009, the line of credit has been reduced to \$260,621. The land is collateral for the line of credit. As of the end of the year the project is substantially complete, and it is anticipated that the letter of credit will be terminated in November 2009.

In April 2008, the Company was approved for a \$1,000,000 revolving line of credit from the UBS Bank. This line of credit was established to fund the acquisition and rehabilitation of existing single-family dwellings in downtown neighborhoods in Logan City. As of June 30, 2009, the outstanding line of credit was \$121,228, which is secured by homes in process of being rehabilitated.

**NOTE 10 – RELATED ENTITIES AND INVESTMENT IN PARTNERSHIPS**

Neighborhood Lending Services, LLC

Neighborhood Nonprofit Housing Corporation is the sole member of Neighborhood Lending Services, LLC. This limited liability company was organized to provide direct lending to families served by the Company. Income of \$4,678 is shown on the Statement of Activities of the Organization, and cash of \$4,678 is shown on the Statement of Financial Position.

River Park Development, LLC

Neighborhood Nonprofit Housing Corporation is the sole member of River Park Development LLC formed in 2008 to acquire, develop, construct, renovate, operate, manage, and sell real property in Logan, Utah, commonly known as the River Park Senior Housing Apartments. There is no income or expense to report during the current year.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 10 – RELATED ENTITIES (*Continued*)**

River Park Senior Housing LLC

River Park Senior Housing LLC was formed in 2008 to develop and own affordable housing. This entity owns the River Park Senior Housing Apartments, a low income housing tax credit project. This project was under construction at June 30, 2009. The managing member is River Park Development LLC (NNHC is the sole member) and owns .01% of RPSH LLC. The investor member is Wells Fargo Community Development Corporation, which owns 99.99%. NNHC is the developer for the apartments owned by RPSH LLC and is earning fees for performing certain development services. At year end, \$301,451 in fees had been earned. Related party receivables are reflected on NNHC's Statement of Financial Position for:

Developer fees earned	\$301,451
Construction costs to be refunded	\$443,883
Long-term loan – non-interest bearing	\$140,000

**NOTE 11 – WELCOME HOME SUBSIDY RECAPTURES**

During the first year of the program, Welcome Home notes were written with Logan City as the beneficiary. A jointly signed MOU states that all recaptured funds will go to Neighborhood Nonprofit Housing Corporation to be used for the Welcome Home program. Thereafter, the notes are written with Neighborhood Nonprofit Housing Corporation as the beneficiary, with recaptured funds being used for the Welcome Home program.

**NOTE 12 – OLENE WALKER HOUSING LOAN FUND, HOME FUNDS**

Neighborhood Nonprofit Housing Corporation is allocated funds from the Olene Walker Housing Loan Fund (OWHLF) to be used for our Mutual Self Help Housing participants. Neighborhood Nonprofit Housing Corporation does not receive these funds; the contract states that Neighborhood Nonprofit Housing Corporation will select qualified Self Help participants to receive these second mortgages. The OWHLF is the trustee on these notes and monthly payments are made by the borrowers to OWHLF.

Neighborhood Nonprofit Housing Corporation does not carry a value for these notes on its Balance Sheet. The total amount of funding was passed through by the title company to the participants with the lowest ratio of household median income as low, fixed rate housing loans. Neighborhood Nonprofit Housing Corporation does not front or receive the money in house for distribution. No provision is made in the loan criteria to recapture the loan funds for further distribution by Neighborhood Nonprofit Housing Corporation.

July 2008 – June 2009	
OWHLF #07-1009	\$ 3,210
OWHLF #08-0680	<u>82,400</u>
Total Funds Expended	<u>\$ 85,610</u>

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 13 – LOT SALE HOMEBUYER SUBSIDIES**

As part of the stated mission and normal operations of the Organization, land parcels are purchased, developed and sold to qualified Mutual Self-Help Housing participants with incomes below 80% of the area median income. When required, subsidies to reduce the lot costs are given to the participants in the form of a soft second secured by a trust deed that are not due until the homes are sold, and may be forgiven based on future conditions. Any substantial repayment of the secured notes currently is an unforeseen event and the notes are not carried on the Statement of Financial Position.

NNHC Homebuyer Subsidies for the year ending:

June 30, 2008	\$109,430
June 30, 2009	<u>212,436</u>
Total NNHC Subsidies to date	<u>\$321,866</u>

CDBG funds awarded for land development were also used for Homebuyer Subsidies. Subsidies were secured with a trust deed at the time for the lot sale. NNHC did not receive payment for those listed below nor does NNHC expect to receive payment on the remaining outstanding notes. The CDBG funds given to homebuyers have forgiveness dates listed below:

	<u>Amount</u>	<u>Date Forgiven</u>
Note Receivable, CDBG PHB, 100%		4/2012
PHB Brigham City. 6 x \$7,065.56	\$42,393	
 Note Receivable, CDBG PHC, 100%		8/2012
PHC Brigham City. 2 x \$7,065.56	<u>14,131</u>	
 Total outstanding CDBG amounts	<u>\$56,524</u>	

**NOTE 14 – BRIGHAM CITY NEIGHBORHOOD IMPROVEMENT PROGRAM CDBG FUNDS**

Brigham City is the beneficiary for any recapture of CDBG funds used for their Brigham City Neighborhood Improvement Program. A 5-year forgiveness period is required before the sale of the property after an improvement to a home. If the sale of the property is within the forgiveness period, Brigham City receives reimbursement of the funds allocated. A Memorandum of Understanding is in effect which names Neighborhood Nonprofit Housing Corporation as the partner to use the recapture funds for construction costs associated with a future participant's property improvement. One hundred percent of the CDBG funds passed through to Brigham City are used for construction costs only.

**NOTE 15 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition of disclosure through January 6, 2010, the date the financial statements were available to be issued.

## **SUPPLEMENTARY SCHEDULE**

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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	Program	Management and General	Fund Raising	Total
Development Expenses	\$ 1,453,244	\$ -	\$ -	\$ 1,453,244
Direct Subsidies to Homebuyers	258,528	-	-	258,528
Salaries and Labor	436,945	25,969	2,859	465,773
Taxes and Benefits	97,030	4,844	761	102,635
Office and Supplies	15,282	1,935	106	17,323
Insurance	5,605	8,204	-	13,809
Depreciation	23,857	276	20	24,153
Professional	6,988	102	-	7,090
Rent	12,659	1,223	86	13,968
Travel	8,881	1,857	52	10,790
Other	39,491	3,791	-	43,282
	<u>\$ 2,358,510</u>	<u>\$ 48,201</u>	<u>\$ 3,884</u>	<u>\$ 2,410,595</u>
Total				

**REPORT AND SCHEDULES REQUIRED BY:**

**THE SINGLE AUDIT ACT  
GOVERNMENT AUDITING STANDARDS**

# NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Thru Grantor's Number	Disbursements or Expenditures
<u>U.S. Department of Agriculture</u>			
Rural Self-Help Housing Technical Assistance	10.420		\$ 517,824
<u>U.S. Department of Housing &amp; Urban Development</u>			
<i>Passed Through Housing Assistance Council</i>			
Self-Help Home Ownership Program - Loan - SHOP 2006	14.247	4-106-0612	105,000
Self-Help Home Ownership Program - Loan - SHOP 2007	14.247	4-1107-0711	75,000
Self-Help Home Ownership Program - Loan - SHOP 2007	14.247	4-1106-0711	120,000
Self-Help Home Ownership Program - Interest Earned	14.247		760
<i>Passed Through Logan City</i>			
Community Development Block Grant	14.218		40,000
<i>Passed Through Brigham City</i>			
Community Development Block Grant **	14.228		80,226
<i>Passed Through Rural Community Assistance Corporation</i>			
Housing Counseling Assistance Program	14.169	NOC18-9714-08	10,925
<i>Passed Through Utah State Division of Housing and Community Development</i>			
HOME Investment Partnership Program - Loan *	14.239	08-0680	82,400
HOME Investment Partnership Program - Loan *	14.239	07-1009	3,210
Community Development Block Grant	14.228	08-2240	95,000
<i>Passed Through Enterprise Community Partners</i>			
Capacity Building 9 Grant (Rural Activities)	14.xxx	08SG105	30,000
Total U.S. Dept. of Housing & Urban Development			642,521
Total Expenditures of Federal Awards			\$ 1,160,345

\* Passed through to participant, not recorded on books of NNHC

\*\*For direct benefit of participant

See accompanying notes.



**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of activities related to the Company's expenditure of Federal awards. The schedule has been prepared on the same basis as the financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of Federal funds are made, revenue is recognized.

**NOTE B - DEFERRED REVENUE**

The financial statements include deferred revenue from Federal programs. This deferred revenue is accrued using the same basis as the financial statements. The deferred revenue reflects Federal awards that have been received by year end and not yet expended.

**NOTE C – LOAN BALANCES**

Outstanding Federal loan balances at year end are:

<u>SHOP Funds</u>	
Interest Earned on SHOP Funds	\$ 13,321
#4-714-0312	328,000
#4-107-0612	78,000
#4-106-0612	228,000
#4-911-0604	309,000
#4-1106-0711	120,000
#4-1107-0711	<u>60,000</u>
Total	<u>\$1,136,321</u>

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Neighborhood Nonprofit Housing Corporation.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Neighborhood Nonprofit Housing Corporation were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Neighborhood Nonprofit Housing Corporation expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Neighborhood Nonprofit Housing Corporation are reported in Part C. of this schedule.
7. The program tested as a major program was Self-Help Home Ownership Program (Loans), CFDA #14.247.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Neighborhood Nonprofit Housing Corporation was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS**

None

**D. FINDINGS – PRIOR YEAR**

None



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**Report on Internal Control Over Financial Reporting and on  
Compliance and on Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Neighborhood Nonprofit Housing Corporation  
Logan, UT

January 6, 2010

We have audited the financial statements of Neighborhood Nonprofit Housing Corporation, (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Neighborhood Nonprofit Housing Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Nonprofit Housing Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Neighborhood Nonprofit Housing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the board, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
GILBERT & STEWART  
*Certified Public Accountants*



## GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
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RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA  
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### **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Neighborhood Nonprofit Housing Corporation  
Logan, UT

January 6, 2010

#### Compliance

We have audited the compliance of Neighborhood Nonprofit Housing Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Neighborhood Nonprofit Housing Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Neighborhood Nonprofit Housing Corporation's management. Our responsibility is to express an opinion on Neighborhood Nonprofit Housing Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Nonprofit Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Neighborhood Nonprofit Housing Corporation's compliance with those requirements.

In our opinion, Neighborhood Nonprofit Housing Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Neighborhood Nonprofit Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Neighborhood Nonprofit Housing Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing

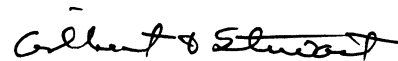
procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Nonprofit Housing Corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, members of the board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART  
*Certified Public Accountants*

## **OTHER SUPPLEMENTARY INFORMATION**



# GILBERT & STEWART

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Neighborhood Nonprofit Housing Corporation  
Logan, UT

January 6, 2010

We have audited the financial statements of Neighborhood Nonprofit Housing Corporation, (the Organization) for the year ended June 30, 2009, and have issued our report dated January 6, 2010. As described by professional standards, our responsibility is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement in accordance with generally accepted government auditing standards and are fairly presented in accordance with accounting principles generally accepted in the United States of America.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Organization's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

In planning and performing our audit of the financial statements of the Organization, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

As part of the duties of administering the Section 523, Mutual Self-Help Program, Neighborhood Nonprofit Housing Corporation (NNHC) manages a custodial checking account for all participants. Loan proceeds are deposited into the custodial account where expenses for construction costs are paid out. NNHC personnel prepare the checks that require the signatures of two representatives of NNHC. The construction supervisor and the program coordinator review the invoices, approve them for payment, and assign the expense to the applicable house. The participating homeowner reviews all expenses every six weeks while meeting with the construction supervisors, program coordinator, and accountant. These expenses can only be used for construction-related costs. The total of this account is included in the balance sheet of NNHC as restricted cash offset by the trust fund liability. As part of our audit, we examined the files for four participants. All of these participants come from USDA 502 loans. We tested the bank reconciliation and scanned the disbursements for propriety. We selected some of the checks and traced the amount to supporting documents. We found no exception to the compliance requirement. During the prior year, we tested three files from USDA 502 loans and found no exceptions.

This information is intended solely for the use of the board, management of Neighborhood Nonprofit Housing Corporation, USDA Rural Development and other pass-through entities, and should not be used for any other purpose.

Sincerely,

GILBERT & STEWART  
Certified Public Accountants